

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

|  |  |  |                         |
|--|--|--|-------------------------|
| <b>Local Government Type</b><br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |  | <b>Local Government Name</b><br>Township of Dryden                     | <b>County</b><br>Lapeer |
| <b>Audit Date</b><br>June 30, 2006   | <b>Opinion Date</b><br>August 18, 2006 | <b>Date Accountant Report Submitted to State:</b><br>December 22, 2006 |                         |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|  |                    |                     |  |
|--|--------------------|---------------------|--|
| <b>Certified Public Accountant (Firm Name)</b><br>Campbell, Kusterer & Co., P.C. |                    |                     |  |
| <b>Street Address</b><br>512 N. Lincoln, Suite 100, P.O. Box 686                 |                    |                     |  |
| <b>City</b><br>Bay City  | <b>State</b><br>MI | <b>Zip</b><br>48707 |  |
| <b>Accountant Signature</b><br>Campbell, Kusterer & Co., P.C.                    |                    |                     |  |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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August 18, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Dryden, Lapeer County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Dryden's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Dryden, Lapeer County, Michigan as of June 30, 2006, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2006, totaled \$3,852,789.68. Of this total, \$1,210,044.75 represents capital assets net of depreciation.

Overall revenues were \$1,668,068.78.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Police Fund, Library Fund, and the Drug Enforcement Fund.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

Governmental Fund Types – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These include the Fire Fund, Police Fund, Library Fund and Drug Enforcement Fund. Voters have approved millage rates for some of these funds to help carry out their operations.

Fiduciary Fund Types – These funds account for assets held by the Township as trustee or agent for individuals, private organization, and other units of government. These funds are as follows:

The Current Tax Collection Fund and Agency Fund: These funds are used to account for assets held as an agent or in trust for others.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the past year, the Township has contributed \$3.00 per person based on our population of 4,624 to help support the Lapeer County Ambulance Authority.

Dryden Township is continuing to make road improvement projects throughout the Township. We have contributed to the Lapeer County Road Commission \$74,926.00 for paving the intersection at Hough and Rochester Roads, limestoning Lake George Road between Dryden and Hollow Corners Roads and limestoning the intersection at Hollow Corners and Mill Roads.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$100,654.55. Fire protection incurred expenses of \$144,541.81, Police protection incurred expenses of \$332,204.57 and library cultural incurred expenses of \$177,818.15. Fire protection, police protection and library cultural are supported mainly by special millage that is voter approved.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of June 30, 2006, the Township had \$2,252,470.46 invested in capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in roads within the Township. The roads are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Lapeer County Road Commission (along with the responsibility to maintain them).

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2006.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The continued support of the ambulance authority will continue to impact the Township's resources. The Township Board also plans to invest in property for future growth. Because of the state reductions that affect local services, the Township needs to continue to watch its budget very closely.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investor's with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 4849 Dryden Road, Dryden. Phone 810-796-2248.

DRYDEN TOWNSHIP BOARD

Tina M. Papineau, Supervisor  
Bonnie J. Rumley, Clerk  
Joyce S. Korson, Treasurer

Sally Haynes, Trustee  
Geary Priehs, Trustee

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2006

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    | 2 139 247 46                       |
| Investments                                     | 665 387 33                         |
| Petty cash                                      | <u>250 00</u>                      |
| Total Current Assets                            | <u>2 804 884 79</u>                |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 2 252 470 46                       |
| Less: Accumulated Depreciation                  | <u>(1 042 425 71)</u>              |
| Total Non-current Assets                        | <u>1 210 044 75</u>                |
| TOTAL ASSETS                                    | <u><u>4 014 929 54</u></u>         |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES:                            |                                    |
| Accounts payable                                | <u>162 139 86</u>                  |
| Total Current Liabilities                       | <u>162 139 86</u>                  |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 1 210 044 75                       |
| Unrestricted                                    | <u>2 642 744 93</u>                |
| Total Net Assets                                | <u>3 852 789 68</u>                |
| TOTAL LIABILITIES AND NET ASSETS                | <u><u>4 014 929 54</u></u>         |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

|                               |                     | <u>Program<br/>Revenue</u>      | <u>Governmental<br/>Activities</u>                                 |
|-------------------------------|---------------------|---------------------------------|--|
|                               | <u>Expenses</u>     | <u>Charges for<br/>Services</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> |
| FUNCTIONS/PROGRAMS            |                     |                                 |  |
| Governmental Activities:      |                     |                                 |  |
| Legislative                   | 89 478 60           | -                               | (89 478 60)  |
| General government            | 280 801 26          | 55 345 40                       | (227 455 86)   |
| Public safety                 | 573 267 14          | -                               | (573 267 14)   |
| Public works                  | 100 654 55          | -                               | (100 654 55)   |
| Culture and recreation        | 189 166 77          | -                               | (189 166 77)   |
| Total Governmental Activities | <u>1 233 368 32</u> | <u>53 345 40</u>                | <u>(1 180 022 92)</u>  |
| General Revenues:             |                     |                                 |  |
| Property taxes                |                     |                                 | 1 137 042 40   |
| State revenue sharing         |                     |                                 | 281 380 88   |
| Penal fines                   |                     |                                 | 24 849 20  |
| Interest                      |                     |                                 | 103 262 04   |
| Miscellaneous                 |                     |                                 | 68 188 86  |
| Total General Revenues        |                     |                                 | <u>1 614 723 38</u>  |
| Change in net assets          |                     |                                 | 434 700 46   |
| Net assets, beginning of year |                     |                                 | <u>3 418 089 22</u>  |
| Net Assets, End of Year       |                     |                                 | <u>3 852 789 68</u>  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2006

| <u>Assets</u>                      | <u>General</u>    | <u>Fire</u>       | <u>Police</u>     | <u>Library</u>    |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Cash in bank                       | 527 786 16        | 401 139 93        | 442 428 56        | 762 650 45        |
| Investments                        | 203 322 90        | 230 902 14        | 115 574 12        | 115 588 17        |
| Petty cash                         | 50 00             | -                 | 100 00            | 100 00            |
| Due from other funds               | 861 65            | -                 | -                 | -                 |
| Total Assets                       | <u>732 020 71</u> | <u>632 042 07</u> | <u>558 102 68</u> | <u>878 338 62</u> |
| <u>Liabilities and Fund Equity</u> |                   |                   |                   |                   |
| Liabilities:                       |                   |                   |                   |                   |
| Accounts payable                   | 72 470 06         | 87 059 54         | 1 330 92          | 1 279 34          |
| Total liabilities                  | <u>72 470 06</u>  | <u>87 059 54</u>  | <u>1 330 92</u>   | <u>1 279 34</u>   |
| Fund equity:                       |                   |                   |                   |                   |
| Fund balances:                     |                   |                   |                   |                   |
| Unreserved:                        |                   |                   |                   |                   |
| Undesignated                       | 659 550 65        | 544 982 53        | 556 771 76        | 877 059 28        |
| Total fund equity                  | <u>659 550 65</u> | <u>544 982 53</u> | <u>556 771 76</u> | <u>877 059 28</u> |
| Total Liabilities and Fund Equity  | <u>732 020 71</u> | <u>632 042 07</u> | <u>558 102 68</u> | <u>878 338 62</u> |

The accompanying notes are an integral part of these financial statements.

| <u>Other<br/>Funds</u> | <u>Total</u>        |
|------------------------|---------------------|
| 4 380 71               | 2 138 385 81        |
| -                      | 665 387 33          |
| -                      | 250 00              |
| <u>-</u>               | <u>861 65</u>       |
| <u>4 380 71</u>        | <u>2 804 884 79</u> |

|          |                   |
|----------|-------------------|
| <u>-</u> | <u>162 139 86</u> |
| <u>-</u> | <u>162 139 86</u> |

|                 |                     |
|-----------------|---------------------|
| <u>4 380 71</u> | <u>2 642 744 93</u> |
| <u>4 380 71</u> | <u>2 642 744 93</u> |
| <u>4 380 71</u> | <u>2 804 884 79</u> |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006

|   |                       |
|---|-----------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS  | 2 642 744 93          |
| Amounts reported for governmental activities in the statement of<br>net assets are different because –  |                       |
| Capital assets used in governmental activities are not financial resources and<br>therefore are not reported in the governmental funds balance sheet: |                       |
| Capital assets at cost  | 2 252 470 46          |
| Accumulated depreciation  | <u>(1 042 425 71)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES  | <u>3 852 789 68</u>   |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
June 30, 2006

|   | <u>General</u>           | <u>Fire</u>              | <u>Police</u>            | <u>Library</u>           |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenues:   |                          |                          |                          |                          |
| Property taxes                                    | 280 741 80               | 199 086 74               | 411 806 21               | 245 407 65               |
| State revenue sharing                             | 274 136 16               | -                        | 3 569 34                 | 3 675 38                 |
| Charges for services - PTAF                       | 53 345 40                | -                        | -                        | -                        |
| Penal fines                                       | -                        | -                        | -                        | -                        |
| Interest  | 34 481 14                | -                        | -                        | 24 849 20                |
| Miscellaneous                                     | 34 077 30                | 23 980 33                | 16 359 26                | 28 416 49                |
| Total revenues                                    | <u>676 781 80</u>        | <u>226 064 16</u>        | <u>454 268 76</u>        | <u>310 929 24</u>        |
| Expenditures:                                     |                          |                          |                          |                          |
| Legislative:                                      |                          |                          |                          |                          |
| Township Board                                    | 89 478 60                | -                        | -                        | -                        |
| General government:                               |                          |                          |                          |                          |
| Supervisor  | 47 676 42                | -                        | -                        | -                        |
| Elections   | 3 434 14                 | -                        | -                        | -                        |
| Attorney  | 16 631 89                | -                        | -                        | -                        |
| Assessor  | 36 901 44                | -                        | -                        | -                        |
| Clerk   | 73 086 72                | -                        | -                        | -                        |
| Board of Review                                   | 2 466 47                 | -                        | -                        | -                        |
| Treasurer   | 66 612 81                | -                        | -                        | -                        |
| Building and grounds                              | 20 305 81                | -                        | -                        | -                        |
| Cemetery  | 4 400 00                 | -                        | -                        | -                        |
| Public safety:                                    |                          |                          |                          |                          |
| Police protection                                 | -                        | -                        | 332 176 07               | -                        |
| Fire protection                                   | -                        | 144 541 81               | -                        | -                        |
| Ambulance   | 13 972 00                | -                        | -                        | -                        |
| Protective inspection                             | 191 57                   | -                        | -                        | -                        |
| Planning Commission                               | 7 048 95                 | -                        | -                        | -                        |
| Appeals Board                                     | 3 290 68                 | -                        | -                        | -                        |
| Public works:                                     |                          |                          |                          |                          |
| Highways and streets                              | 100 654 55               | -                        | -                        | -                        |
| Culture and recreation:                           |                          |                          |                          |                          |
| Library   | -                        | -                        | -                        | 177 818 15               |
| Capital outlay                                    | 32 422 00                | 153 193 50               | 7 812 00                 | 3 974 76                 |
| Total expenditures                                | <u>518 474 05</u>        | <u>297 735 31</u>        | <u>339 988 07</u>        | <u>181 792 91</u>        |
| Excess (deficiency) of revenues over expenditures | 158 307 75               | (71 671 15)              | 114 280 69               | 129 136 33               |
| Fund balances, July 1                             | <u>501 242 90</u>        | <u>616 653 68</u>        | <u>442 491 07</u>        | <u>747 922 95</u>        |
| Fund Balances, June 30                            | <u><u>659 550 65</u></u> | <u><u>544 982 53</u></u> | <u><u>556 771 76</u></u> | <u><u>877 059 28</u></u> |

The accompanying notes are an integral part of these financial statements.

| <u>Other<br/>Funds</u> | <u>Total</u>        |
|------------------------|---------------------|
| -                      | 1 137 042 40        |
| -                      | 281 380 88          |
| -                      | 53 345 40           |
| -                      | 24 849 20           |
| 24 82                  | 103 262 04          |
| -                      | 68 188 86           |
| <u>24 82</u>           | <u>1 668 068 78</u> |

|                 |                     |
|-----------------|---------------------|
| -               | 89 478 60           |
| -               | 47 676 42           |
| -               | 3 434 14            |
| -               | 16 631 89           |
| -               | 36 901 44           |
| -               | 73 086 72           |
| -               | 2 466 47            |
| -               | 66 612 81           |
| -               | 20 305 81           |
| -               | 4 400 00            |
| 28 50           | 332 204 57          |
| -               | 144 541 81          |
| -               | 13 872 00           |
| -               | 191 57              |
| -               | 7 048 95            |
| -               | 3 290 68            |
| -               | 100 654 55          |
| -               | 177 818 15          |
| <u>1 857 00</u> | <u>199 259 26</u>   |
| <u>1 885 50</u> | <u>1 339 875 84</u> |

|                 |                     |
|-----------------|---------------------|
| (1 860 68)      | 328 192 94          |
| <u>6 241 39</u> | <u>2 314 551 99</u> |
| <u>4 380 71</u> | <u>2 642 744 93</u> |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 328 192 94

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |                   |
|----------------------|-------------------|
| Depreciation Expense | (92 751 74)       |
| Capital Outlay       | <u>199 259 26</u> |

|   |                          |
|---|--------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>434 700 46</u></u> |
|---|--------------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Dryden, Lapeer County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Dryden. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was 4.6975 mills, and the taxable value was \$211,256,830.00.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                                       |            |
|---------------------------------------|------------|
| Buildings, additions and improvements | 3-40 years |
| Furniture and equipment               | 3-40 years |

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|                |                             |
|----------------|-----------------------------|
|                | <u>Carrying<br/>Amounts</u> |
| Total Deposits | <u>2 146 122 21</u>         |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

|                                |                          |
|--------------------------------|--------------------------|
|                                | <u>Bank<br/>Balances</u> |
| Insured (FDIC)                 | 200 050 00               |
| Uninsured and Uncollateralized | <u>2 034 983 19</u>      |
| Total Deposits                 | <u>2 235 033 19</u>      |

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 3 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

| <u>Investment Type</u>   | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying Amount</u> |
|--|------------|------------|------------|------------------------|
| Risk-Categorized:<br>Operating Funds                           | -          | -          | -          | -                      |
| Total Risk-Categorized<br>Investments                          | -          | -          | -          | -                      |
| Non-risk-Categorized:<br>Financial Institution<br>Pooled Funds |            |            |            | 665 387 33             |
| Total Investments  |            |            |            | 665 387 33             |

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

|                            | <u>Balance<br/>7/1/05</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>6/30/06</u> |
|----------------------------|---------------------------|------------------|------------------|----------------------------|
| Land and improvements      | 83 337 04                 | 24 600 00        | -                | 107 937 04                 |
| Buildings and improvements | 1 181 500 00              | -                | -                | 1 181 500 00               |
| Equipment                  | 806 663 32                | 174 659 26       | (18 289 16)      | 963 033 42                 |
| Total                      | 2 071 500 36              | 199 259 26       | (18 289 16)      | 2 252 470 46               |
| Accumulated Depreciation   | (967 963 13)              | (92 751 74)      | 18 289 16        | (1 042 425 71)             |
| Net Capital Assets         | 1 103 537 23              | 106 507 52       | -                | 1 210 044 75               |

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund<br/>Receivable</u> | <u>Fund</u>                      | <u>Interfund<br/>Payable</u> |
|-------------|---------------------------------|----------------------------------|------------------------------|
| General     | 861 65                          | Current Tax Collection<br>Agency | 748 22<br>113 43             |
| Total       | 861 65                          | Total                            | 861 65                       |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2006, was \$39,558.08.

Note 7 – Deferred Compensation Plan

The Township of Dryden offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township of Dryden for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Dryden does not issue building permits. Building permits are issued by the County of Lapeer.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2006

|  | Original<br>Budget | Final<br>Budget | Actual     | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|--------------------|-----------------|------------|--|
| Revenues:  |                    |                 |            |  |
| Property taxes                                       | 280 943 00         | 280 943 00      | 280 741 80 | (201 20)   |
| State revenue sharing                                | 265 000 00         | 265 000 00      | 274 136 16 | 9 136 16   |
| Charges for services – PTAF                          | 50 000 00          | 50 000 00       | 53 345 40  | 3 345 40   |
| Interest   | 11 300 00          | 11 300 00       | 34 481 14  | 23 181 14  |
| Miscellaneous  | 22 300 00          | 22 300 00       | 34 077 30  | 11 777 30  |
| Total revenues                                       | 629 543 00         | 629 543 00      | 676 781 80 | 47 238 80  |
| Expenditures:  |                    |                 |            |  |
| Legislative:   |                    |                 |            |  |
| Township Board                                       | 99 753 00          | 99 753 00       | 89 478 60  | (10 274 40)                                      |
| General government:                                  |                    |                 |            |  |
| Supervisor   | 53 821 00          | 53 821 00       | 47 676 42  | (6 144 58)                                       |
| Elections  | 12 120 00          | 12 120 00       | 3 434 14   | (8 685 86)                                       |
| Attorney   | 30 000 00          | 30 000 00       | 16 631 89  | (13 368 11)                                      |
| Assessor   | 41 500 00          | 41 500 00       | 36 901 44  | (4 598 56)                                       |
| Clerk  | 75 750 00          | 75 750 00       | 73 086 72  | (2 663 28)                                       |
| Board of Review                                      | 3 150 00           | 3 150 00        | 2 466 47   | (683 53)   |
| Treasurer  | 72 179 00          | 72 179 00       | 66 612 81  | (5 566 19)                                       |
| Building and grounds                                 | 23 070 00          | 23 070 00       | 20 305 81  | (2 764 19)                                       |
| Cemetery   | 5 000 00           | 5 000 00        | 4 400 00   | (600 00)   |
| Public safety:                                       |                    |                 |            |  |
| Ambulance  | 14 000 00          | 14 000 00       | 13 872 00  | (128 00)   |
| Protective inspection                                | 1 400 00           | 1 400 00        | 191 57     | (1 208 43)                                       |
| Planning Commission                                  | 19 010 00          | 19 010 00       | 7 048 95   | (11 961 05)                                      |
| Appeals Board  | 3 930 00           | 3 930 00        | 3 290 68   | (639 32)   |
| Public works:  |                    |                 |            |  |
| Highways and streets                                 | 204 000 00         | 194 000 00      | 100 654 55 | (93 345 45)                                      |
| Drains   | 500 00             | 500 00          | -          | (500 00)   |
| Capital outlay                                       | 27 000 00          | 37 000 00       | 32 422 00  | (4 578 00)                                       |
| Total expenditures                                   | 686 183 00         | 686 183 00      | 518 474 05 | (167 708 95)                                     |
| Excess (deficiency) of revenues<br>over expenditures | (56 640 00)        | (56 640 00)     | 158 307 75 | 214 947 75                                       |
| Fund balance, July 1                                 | 56 640 00          | 56 640 00       | 501 242 90 | 444 602 90                                       |
| Fund Balance, June 30                                | -                  | -               | 659 550 65 | 659 550 65                                       |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|-------------------|--|
| Revenues:  |                            |                         |                   |  |
| Property taxes                                       | 199 200 00                 | 199 200 00              | 199 086 74        | (113 26)   |
| Interest   | 7 500 00                   | 7 500 00                | 23 980 33         | 16 480 33  |
| Miscellaneous  | <u>2 750 00</u>            | <u>2 750 00</u>         | <u>2 997 09</u>   | <u>247 09</u>  |
| Total revenues                                       | <u>209 450 00</u>          | <u>209 450 00</u>       | <u>226 064 16</u> | <u>16 614 16</u>   |
| Expenditures:  |                            |                         |                   |  |
| Public safety:                                       |                            |                         |                   |  |
| Fire protection                                      | 181 018 00                 | 181 018 00              | 144 541 81        | (36 476 19)  |
| Capital outlay                                       | <u>158 432 00</u>          | <u>158 432 00</u>       | <u>153 193 50</u> | <u>(5 238 50)</u>  |
| Total expenditures                                   | <u>339 450 00</u>          | <u>339 450 00</u>       | <u>297 735 31</u> | <u>(41 714 69)</u>   |
| Excess (deficiency) of revenues<br>over expenditures | (130 000 00)               | (130 000 00)            | (71 671 15)       | 58 328 85  |
| Fund balance, July 1                                 | <u>130 000 00</u>          | <u>130 000 00</u>       | <u>616 653 68</u> | <u>486 653 68</u>  |
| Fund Balance, June 30                                | <u>-</u>                   | <u>-</u>                | <u>544 982 53</u> | <u>544 982 53</u>  |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND  
Year ended June 30, 2006

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>            | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|---|----------------------------|-------------------------|--------------------------|--|
| Revenues:                               |                            |                         |                          |  |
| Property taxes                          | 412 514 00                 | 412 514 00              | 411 806 21               | (707 79)   |
| State revenue sharing                   | 3 800 00                   | 3 800 00                | 3 569 34                 | (230 66)   |
| Interest                                | 4 800 00                   | 4 800 00                | 16 359 26                | 11 559 26  |
| Miscellaneous                           | <u>7 712 00</u>            | <u>7 712 00</u>         | <u>22 533 95</u>         | <u>14 821 95</u>   |
| Total revenues                          | <u>428 826 00</u>          | <u>428 826 00</u>       | <u>454 268 76</u>        | <u>25 442 76</u>   |
| Expenditures:                           |                            |                         |                          |  |
| Public safety:                          |                            |                         |                          |  |
| Police protection                       | 410 340 00                 | 410 340 00              | 332 176 07               | (78 663 93)  |
| Capital outlay                          | <u>17 986 00</u>           | <u>17 986 00</u>        | <u>7 812 00</u>          | <u>(10 174 00)</u>   |
| Total expenditures                      | <u>428 826 00</u>          | <u>428 826 00</u>       | <u>339 988 07</u>        | <u>(88 837 93)</u>   |
| Excess of revenues<br>over expenditures | -                          | -                       | 114 280 69               | 114 280 69   |
| Fund balance, July 1                    | <u>-</u>                   | <u>-</u>                | <u>442 491 07</u>        | <u>442 491 07</u>  |
| Fund Balance, June 30                   | <u><u>-</u></u>            | <u><u>-</u></u>         | <u><u>556 771 76</u></u> | <u><u>556 771 76</u></u>                                   |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE –LIBRARY FUND  
Year ended June 30, 2006

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>            | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|---|----------------------------|-------------------------|--------------------------|--|
| Revenues:                               |                            |                         |                          |  |
| Property taxes                          | 225 000 00                 | 225 000 00              | 245 407 65               | 20 407 65  |
| State revenue sharing                   | 2 000 00                   | 2 000 00                | 3 675 38                 | 1 675 38   |
| Penal fines                             | 20 000 00                  | 20 000 00               | 24 849 20                | 4 849 20   |
| Interest                                | 14 000 00                  | 14 000 00               | 28 416 49                | 14 416 49  |
| Miscellaneous                           | <u>4 200 00</u>            | <u>4 200 00</u>         | <u>8 580 52</u>          | <u>4 380 52</u>  |
| Total revenues                          | <u>265 200 00</u>          | <u>265 200 00</u>       | <u>310 929 24</u>        | <u>45 729 24</u>   |
| Expenditures:                           |                            |                         |                          |  |
| Culture and recreation:                 |                            |                         |                          |  |
| Library                                 | 234 030 00                 | 234 030 00              | 177 818 15               | (56 211 85)  |
| Capital outlay                          | <u>31 170 00</u>           | <u>31 170 00</u>        | <u>3 974 76</u>          | <u>(27 195 24)</u>   |
| Total expenditures                      | <u>265 200 00</u>          | <u>265 200 00</u>       | <u>181 792 91</u>        | <u>(83 407 09)</u>   |
| Excess of revenues<br>over expenditures | -                          | -                       | 129 136 33               | 129 136 33   |
| Fund balance, July 1                    | <u>-</u>                   | <u>-</u>                | <u>747 922 95</u>        | <u>747 922 95</u>  |
| Fund Balance, June 30                   | <u><u>-</u></u>            | <u><u>-</u></u>         | <u><u>877 059 28</u></u> | <u><u>877 059 28</u></u>                                   |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2006

|                                      | <u>Drug<br/>Enforcement</u> | <u>Fire</u>       | <u>Police</u>     | <u>Library</u>    |
|--------------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| <u>Assets</u>                        |                             |                   |                   |                   |
| Cash in bank                         | 4 380 71                    | 401 139 93        | 442 428 56        | 762 650 45        |
| Investments                          | -                           | 230 902 14        | 115 574 12        | 115 588 17        |
| Petty cash                           | -                           | -                 | 100 00            | 100 00            |
| Total Assets                         | <u>4 380 71</u>             | <u>632 042 07</u> | <u>558 102 68</u> | <u>878 338 62</u> |
| <u>Liabilities and Fund Balances</u> |                             |                   |                   |                   |
| Liabilities:                         |                             |                   |                   |                   |
| Accounts payable                     | -                           | 87 059 54         | 1 330 92          | 1 279 34          |
| Total liabilities                    | -                           | <u>87 059 54</u>  | <u>1 330 92</u>   | <u>1 279 34</u>   |
| Fund balances:                       |                             |                   |                   |                   |
| Unreserved:                          |                             |                   |                   |                   |
| Undesignated                         | 4 380 71                    | 544 982 53        | 556 771 76        | 877 059 28        |
| Total fund balances                  | <u>4 380 71</u>             | <u>544 982 53</u> | <u>556 771 76</u> | <u>877 059 28</u> |
| Total Liabilities and Fund Balances  | <u>4 380 71</u>             | <u>632 042 07</u> | <u>558 102 68</u> | <u>878 338 62</u> |

Total    

1 610 599 65  
462 064 43  
    200 00      
2 072 864 08

    89 669 80      
    89 669 80    

1 983 194 28  
1 983 194 28  
2 072 864 08

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2006

|  | <u>Drug<br/>Enforcement</u> | <u>Fire</u>       | <u>Police</u>     | <u>Library</u>    |
|--|-----------------------------|-------------------|-------------------|-------------------|
| Revenues:  |                             |                   |                   |                   |
| Property taxes                                       | -                           | 199 086 74        | 411 806 21        | 245 407 65        |
| State revenue sharing                                | -                           | -                 | 3 569 34          | 3 675 38          |
| Penal fines  | -                           | -                 | -                 | 24 849 20         |
| Interest   | 24 82                       | 23 980 33         | 16 359 26         | 28 416 49         |
| Miscellaneous  | -                           | 2 997 09          | 22 533 95         | 8 580 52          |
| Total revenues                                       | <u>24 82</u>                | <u>226 064 16</u> | <u>454 268 76</u> | <u>310 929 24</u> |
| Expenditures:  |                             |                   |                   |                   |
| Public safety:                                       |                             |                   |                   |                   |
| Police protection                                    | 28 50                       | -                 | 332 176 07        | -                 |
| Fire protection                                      | -                           | 144 541 81        | -                 | -                 |
| Culture and recreation:                              |                             |                   |                   |                   |
| Library  | -                           | -                 | -                 | 177 818 15        |
| Capital outlay                                       | <u>1 857 00</u>             | <u>153 193 50</u> | <u>7 812 00</u>   | <u>3 974 76</u>   |
| Total expenditures                                   | <u>1 885 50</u>             | <u>297 735 31</u> | <u>339 988 07</u> | <u>181 792 91</u> |
| Excess (deficiency) of revenues<br>over expenditures | (1 860 68)                  | (71 671 15)       | 114 280 69        | 129 136 33        |
| Fund balances, July 1                                | <u>6 241 39</u>             | <u>616 653 68</u> | <u>442 491 07</u> | <u>747 922 95</u> |
| Fund Balances, June 30                               | <u>4 380 71</u>             | <u>544 982 53</u> | <u>556 771 76</u> | <u>877 059 28</u> |

Total  
856 300 60  
7 244 72  
24 849 20  
68 780 90  
34 111 56  
991 286 98

332 204 57  
144 541 81  
177 818 15  
166 837 26  
821 401 79

169 885 19  
1 813 309 09  
1 983 194 28

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
Year ended June 30, 2006

|                                    | <u>Balance<br/>7/1/05</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance<br/>6/30/06</u> |
|------------------------------------|---------------------------|---------------------|---------------------|----------------------------|
| <u>CURRENT TAX COLLECTION FUND</u> |                           |                     |                     |                            |
| <u>Assets</u>                      |                           |                     |                     |                            |
| Cash in Bank                       | <u>2 022 81</u>           | <u>5 012 859 66</u> | <u>5 014 134 25</u> | <u>748 22</u>              |
| <u>Liabilities</u>                 |                           |                     |                     |                            |
| Due to other funds                 | 1 980 24                  | 958 708 84          | 959 940 86          | 748 22                     |
| Due to others                      | <u>42 57</u>              | <u>4 054 150 82</u> | <u>4 054 193 39</u> | <u>-</u>                   |
| Total Liabilities                  | <u>2 022 81</u>           | <u>5 012 859 66</u> | <u>5 014 134 25</u> | <u>748 22</u>              |
| <u>AGENCY FUND</u>                 |                           |                     |                     |                            |
| <u>Assets</u>                      |                           |                     |                     |                            |
| Cash in Bank and Investments       | <u>16 949 81</u>          | <u>32 420 57</u>    | <u>42 382 20</u>    | <u>6 988 18</u>            |
| <u>Liabilities</u>                 |                           |                     |                     |                            |
| Deposits payable                   | 16 914 50                 | 32 057 71           | 42 097 46           | 6 874 75                   |
| Due to other funds                 | <u>35 31</u>              | <u>362 86</u>       | <u>284 74</u>       | <u>113 43</u>              |
| Total Liabilities                  | <u>16 949 81</u>          | <u>32 420 57</u>    | <u>42 382 20</u>    | <u>6 988 18</u>            |
| <u>TOTALS – ALL AGENCY FUNDS</u>   |                           |                     |                     |                            |
| <u>Assets</u>                      |                           |                     |                     |                            |
| Cash in Bank and Investments       | <u>18 972 62</u>          | <u>5 045 280 23</u> | <u>5 056 516 45</u> | <u>7 736 40</u>            |
| <u>Liabilities</u>                 |                           |                     |                     |                            |
| Deposits payable                   | 16 914 50                 | 32 057 71           | 42 097 46           | 6 874 75                   |
| Due to other funds                 | 2 015 55                  | 959 071 70          | 960 225 60          | 861 65                     |
| Due to others                      | <u>42 57</u>              | <u>4 054 150 82</u> | <u>4 054 193 39</u> | <u>-</u>                   |
| Total Liabilities                  | <u>18 972 62</u>          | <u>5 045 280 23</u> | <u>5 056 516 45</u> | <u>7 736 40</u>            |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                  |
|-------------------------|------------------|
| Township Board:         |                  |
| Salaries                | 14 102 92        |
| Payroll taxes           | 343 67           |
| Fringe benefits         | 4 850 98         |
| Office supplies         | 14 413 47        |
| Cleanup                 | 1 470 00         |
| Recycle                 | 3 349 00         |
| Audit                   | 4 600 00         |
| Memberships and dues    | 4 443 54         |
| Telephone               | 3 133 16         |
| Printing and publishing | 1 500 49         |
| Insurance               | 32 089 68        |
| Miscellaneous           | 5 181 69         |
|                         | <u>89 478 60</u> |
| Supervisor:             |                  |
| Salary                  | 30 240 84        |
| Payroll taxes           | 2 706 64         |
| Fringe benefits         | 7 953 46         |
| Insurance               | 5 141 00         |
| Miscellaneous           | 1 634 48         |
|                         | <u>47 676 42</u> |
| Elections:              |                  |
| Wages                   | 2 383 81         |
| Office supplies         | 902 56           |
| Miscellaneous           | 147 77           |
|                         | <u>3 434 14</u>  |
| Attorney                |                  |
|                         | <u>16 631 89</u> |
| Assessor:               |                  |
| Office supplies         | 1 437 44         |
| Contracted services     | 35 464 00        |
|                         | <u>36 901 44</u> |
| Clerk:                  |                  |
| Salary                  | 36 654 96        |
| Salary – deputy         | 14 212 03        |
| Payroll taxes           | 4 369 21         |
| Fringe benefits         | 9 226 29         |
| Insurance               | 6 231 35         |
| Education               | 2 026 30         |
| Miscellaneous           | 366 58           |
|                         | <u>73 086 72</u> |
| Board of Review:        |                  |
| Wages                   | 1 788 90         |
| Payroll taxes           | 31 38            |
| Fringe benefits         | 63 78            |
| Miscellaneous           | 582 41           |
|                         | <u>2 466 47</u>  |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                          |
|-------------------------|--------------------------|
| Treasurer:              | 31 780 92                |
| Salary                  | 12 064 34                |
| Salary -- deputy        | 3 767 42                 |
| Payroll taxes           | 5 402 77                 |
| Insurance               | 7 995 20                 |
| Fringe benefits         | 3 444 91                 |
| Office supplies         | 193 80                   |
| Travel                  | 1 963 45                 |
| Miscellaneous           | <u>66 612 81</u>         |
| Building and grounds:   | 3 537 00                 |
| Wages                   | 51 41                    |
| Payroll taxes           | 132 85                   |
| Fringe benefits         | 782 94                   |
| Operating supplies      | 3 674 91                 |
| Contracted services     | 6 040 85                 |
| Utilities               | 6 085 85                 |
| Maintenance             | <u>20 305 81</u>         |
| Cemetery                | <u>4 400 00</u>          |
| Ambulance               | <u>13 872 00</u>         |
| Protective inspection   | <u>191 57</u>            |
| Planning Commission:    | 2 875 00                 |
| Wages                   | 41 63                    |
| Payroll taxes           | 95 18                    |
| Fringe benefits         | 2 772 51                 |
| Contracted services     | 1 264 63                 |
| Miscellaneous           | <u>7 048 95</u>          |
| Appeals Board:          | 3 038 00                 |
| Wages                   | 74 89                    |
| Payroll taxes           | 177 79                   |
| Miscellaneous           | <u>3 290 68</u>          |
| Highways and streets:   | 100 654 55               |
| Repairs and maintenance | <u>32 422 00</u>         |
| Capital outlay          | <u>518 474 05</u>        |
| Total Expenditures      | <u><u>518 474 05</u></u> |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                          |
|-------------------------|--------------------------|
| Fire protection:        |                          |
| Salaries and wages      |                          |
| Payroll taxes           | 55 845 07                |
| Fringe benefits         | 1 592 16                 |
| Office supplies         | 2 115 88                 |
| Operating supplies      | 1 383 94                 |
| Fire prevention         | 27 174 44                |
| Repairs and maintenance | 771 62                   |
| EMS                     | 5 687 53                 |
| Memberships and dues    | 15 237 13                |
| Physicals               | 315 00                   |
| Travel                  | 1 128 00                 |
| Insurance               | 3 319 19                 |
| Utilities               | 20 117 25                |
| Training                | 8 646 92                 |
| Capital outlay          | 1 207 68                 |
|                         | <u>153 193 50</u>        |
| Total Expenditures      | <u><u>297 735 31</u></u> |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                             |
|-------------------------|-----------------------------|
| Police protection:      | 222 777 09                  |
| Salaries and wages      | 13 239 25                   |
| Fringe benefits         | 14 037 84                   |
| Payroll taxes           | 19 196 62                   |
| Supplies                | 9 056 89                    |
| Repairs and maintenance | 2 708 19                    |
| Telephone               | 3 427 63                    |
| Utilities               | 39 641 26                   |
| Insurance               | 8 091 30                    |
| Miscellaneous           | 7 812 00                    |
| Capital outlay          | <u>                    </u> |
| Total Expenditures      | <u><u>339 988 07</u></u>    |

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                          |
|-------------------------|--------------------------|
| Library:                |                          |
| Salaries and wages      | 76 207 84                |
| Payroll taxes           | 5 647 29                 |
| Supplies                | 5 583 12                 |
| Repairs and maintenance | 8 857 42                 |
| Memberships and dues    | 8 708 19                 |
| Contracted services     | 3 988 00                 |
| Travel                  | 1 314 91                 |
| Insurance               | 4 643 07                 |
| Utilities               | 9 948 48                 |
| Audio visual            | 12 833 90                |
| Books and periodicals   | 36 367 17                |
| Miscellaneous           | 3 718 76                 |
| Capital outlay          | <u>3 974 76</u>          |
| Total Expenditures      | <u><u>181 792 91</u></u> |

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 18, 2006

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

We have audited the financial statements of the Township of Dryden for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Dryden in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants